

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: RICK STERLING

DATE: NOVEMBER 27, 2013

**RE: AVISTA'S ANNUAL COMPLIANCE FILING TO UPDATE THE LOAD
AND GAS FORECASTS AND LONG-TERM CONTRACTS IN THE
INTEGRATED RESOURCE PLAN AVOIDED COST METHODOLOGY;
CASE NO. AVU-E-13-11**

BACKGROUND

In its final Order No. 32697, the Commission determined that the inputs to the Integrated Resource Plan ("IRP") avoided cost methodology, utilized for all proposed Public Utility Regulatory Policies Act of 1978 ("PURPA") qualifying facility ("QF") projects that exceed the published rate eligibility cap, will be updated every two years upon acknowledgement of the utility's IRP filing, with the exception of the load forecast and the natural gas forecast—which is to be updated annually by October 15 of each year. The Commission stated:

We find that, in order to maintain the most accurate and up-to-date reflection of a utility's true avoided cost, utilities must update fuel price forecasts and load forecasts annually – between IRP filings. For the sake of consistency, these annual updates should occur simultaneously with SAR updates – on June 1 of each year. In addition, it is appropriate to consider long-term contract commitments because of the potential effect that such commitments have on a utility's load and resource balance. We find it reasonable to include long-term contract considerations in an IRP Methodology calculation at such time as the QF and utility have entered into a signed contract for the sale and purchase of QF power. We further find it appropriate to consider PURPA contracts that have terminated or expired in each utility's load and resource balance. We find it reasonable that all other variables and assumptions utilized within the IRP Methodology remain fixed between IRP filings (every two years).

Order No. 32697, p.22. The date for the annual update was later changed from June 1 to October 15 of each year. Order No. 32802.

On October 15, 2013, Avista ("Company") submitted its annual updates for fuel prices, load forecasts, and changes to long term contracts for purchases or sales and any new or expiring QF contracts in compliance with Order Nos. 32697 and 32802.

STAFF REVIEW

Load Forecast

Avista's current energy load forecast was developed in July 2013 and its peak load forecast was prepared in September 2013 using the same methodology used for the 2013 IRP forecasts. The Company provided a copy of its 20-year peak and average energy forecasts with its filing.

Gas Forecast

Avista's current natural gas price forecast is the same as that used in its 2013 IRP. The Company provided a copy of its 20-year gas price forecasts with its filing for all hubs the Company considers in development of its IRP.

Contract Terminations, Expirations, and Additions

Avista reports one new, very small PURPA contract in the state of Washington and the renewal of the 6.75 MW Nichols pumping contract at the Colstrip plant since the submission of its 2013 IRP.

STAFF RECOMMENDATION

Staff believes that the load and gas price forecasts submitted by Avista reflect the Company's most current estimates, and were prepared consistent with the methods used in the IRP. Staff believes the load and gas price forecasts and the long-term contract changes submitted by the Company comply with the requirements of Order Nos. 32697 and 32802. Staff recommends that the Commission accept the forecasts and contract changes for filing without further process or procedure.

COMMISSION DECISION

Does the Commission wish to accept Avista's compliance filing without further process or procedure?


Rick Sterling

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